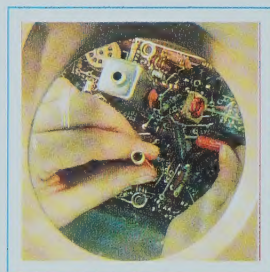
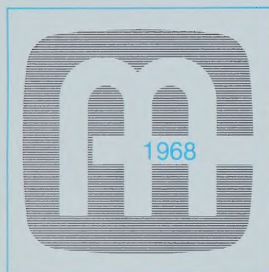


Cover depicts forward strides in Nova Scotia's telecommunications, shipbuilding, tourist and steelmaking industries highlighted during 1968. Below, the focus is on electronics manufacturing, commercial development and textile production.



STOCK TRANSFER OFFICES

Maritime Telegraph and Telephone Company, Limited
1520 Hollis Street, Halifax, N.S.

Canada Permanent Trust Company
625 Dorchester Blvd. West,
Montreal 1, Que.

Canada Permanent Trust Company
34 King Street West, Toronto 1, Ont.

STOCK REGISTRAR

The Halifax, Montreal and Toronto offices of Canada Permanent Trust Company are registrars of common shares of the capital stock of the Company.

COMMON SHARES LISTED

Montreal Stock Exchange
Toronto Stock Exchange

annual report to the shareholders

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED

Head Office: 1520 Hollis Street,
P.O. Box 880, Halifax, Nova Scotia, Canada,
Telephone (Area Code 902) 424-4541

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The annual general meeting of the shareholders of Maritime Telegraph and Telephone Company, Limited will be held at the Head Office of the Company, 1520 Hollis Street, Halifax, N.S., on Friday, the 28th day of March, 1969, at twelve o'clock noon.

As never before, the greatest challenge of our society is the challenge to communicate.

To help meet this challenge, your Company has made significant progress on two broad fronts during 1968, the provision of a growing and widening array of telephone instruments and services, and the expansion and modernization of the vital, though invisible, part of the communications system—the vast switching and transmission network.

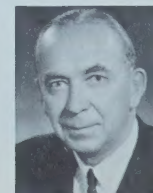
More than 12,880 telephones were added to the network, bringing the total to a record of 256,388. The number of local and long distance calls exceeded 508,000,000, also a record. Mobile telephones equipped to permit two-way conversations over the general telephone network were introduced in the Halifax-Dartmouth area. Touch-Tone telephones were introduced in the areas of Halifax-Dartmouth, Sydney and New Glasgow. Service for several hundred customers in rural connecting companies was assumed by your Company, and progress in conversion to dial operation and enlargement of mileage-free exchange areas continued. Nine groups of communities were provided flat-rate inter-area calling in the Extended Area Service program. Provision of Community Antenna Television service (CATV) was postponed, pending approval by the appropriate federal licensing authority.

Developments in the switching and transmission network were led by the provision of Direct Distance Dialing for 19,345 customers in the eastern part of the peninsula area from Pictou to Port Hawkesbury on the Canso Strait. In Halifax, new Centrex installations with a variety of call-transfer features brought this modern business service to several major customers. Late in the year, plans were announced for the start of construction of an enlarged long distance complex at the site of the present toll centre on North Street. At year end, your Company's joint proposal with the other leading telephone and telecommunications industries of Canada for a domestic satellite communications system awaited Federal Government decision regarding a public-private corporation to build and operate the system.

With these advances, construction expenditures during 1968 were approximately \$19.2 million, second highest in your Company's 59-year history. Both the return on capital invested and the return on rate base showed decreases, and earnings per average share were reduced to \$1.44 from \$1.54 of a year ago. This resulted in part from the income tax surcharge, which accounted for about four cents a share, and an increase of approximately 15% in the average number of shares outstanding following the rights offering of December, 1967.

The Company, like the telecommunications industry generally, is both capital intensive and labor intensive, and it is increasingly clear that sound financial and management policies and continuing technological advances cannot by themselves offset the mounting pressure of costs. These higher costs of money, labor and materials, and their effect on Company earnings, are of growing concern. Early in 1968, they required a reduction of some parts of the Company's accelerated construction program for the balance of the year. During 1969, this program will be further reduced and is estimated to cost approximately \$17 million.

Clearly, the "challenge to communicate" continues to call upon a basic and efficient resource, telephone and telecommunications technology. Equally so, the strength of this resource will continue to require a healthy and attractive financial basis to ensure a steady flow of investment capital and to enable your Company to keep pace with the demand for service growth, improvement and modernization.



February 28, 1969

SERVICE EXPANSION AND IMPROVEMENT

The accelerated program of growth, expansion and modernization of customer services continued during its third year, although abated by the forced slowdown in capital expenditures. Additional telephone customers, wide acceptance of new instruments and services, and record calling, both local and long distance, underscored the greater availability and flexibility of efficient telecommunications services to Nova Scotians generally.

More Telephones — A total of 12,886 new telephones was placed in service, a gain of 5.3% over 1967. At year end there were 256,388 telephones in service. Throughout the province 86.1 households out of every 100 had a telephone, an increase from 64.5 ten years ago. In the same period, telephones per 100 population increased from 22.1 to 34.1. Residence extension telephones increased by 15,289, a gain of 135.4% since 1958, and at year end there were 16.6 extensions for every 100 residence main telephones, compared to 11.1 in 1958.

New Services — More than 2,500 Touch-Tone sets brought push-button telephoning to homes and businesses in the areas of Dartmouth-Halifax, Sydney and New Glasgow. In the Halifax-Dartmouth area mobile telephone service was provided to customers who desired continuous contact with the telephone network.

At Acadia University, the first commercial installation of a Visual Electronic Remote Blackboard (VERB) took place, enabling a single instructor to conduct an illustrated lecture, with two-way communication, to more than one classroom simultaneously. Plans at year end were being made to extend the new

facility to conduct simultaneous evening adult education classes in Wolfville and Mahone Bay.

Greater Calling — Areas in and surrounding the communities of Baddeck, Antigonish, Mulgrave, Port Hawkesbury, New Glasgow and Pictou were provided with Direct Distance Dialing, raising from 55 to 62 the percentage of customers who are able to dial their own long distance calls directly.

Nineteen communities were joined in nine local service areas provided with Extended Area Service. This resulted in elimination of toll charges for calls among these communities and substitution of higher monthly exchange rates. In the exchanges of Kentville, Bear River, Mahone Bay, Meteghan, Saulnierville and Wolfville, base rate areas were enlarged to enable 2,050 customers to secure individual service without payment of mileage charges. Another 474 customers in 10 rural connecting companies were added to the network when service for these companies was assumed.

Nine exchange areas with 6,775 telephones were converted to dial service. Additional lines were provided to many rural areas to reduce the average number of customers per party line.

Overall, calls averaged 1,518,120 per day, an increase of 6.5% over 1967. Long distance calling was up 7.8%, a daily average of 39,140. There was a record total of 508,568,900 local and long distance calls, accounted for in part by the strike of postal-workers during the summer and the reduction in the autumn of the price of three-minute calls to a maximum of \$1 to any place in Canada beyond the province of Nova Scotia after midnight.

SOME HIGHLIGHTS

TELEPHONE CALLING



1958

1968

Number of calls -	303,889,890	508,000,000
Long distance messages -	6,316,308	13,112,092

RESIDENTIAL DEVELOPMENT



1958

1968

Telephones per 100 homes -	64.5	86.1
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DIAL SERVICE



1958

1968

Number of dial telephones -	121,807 (80.6%)	231,116 (90.1%)
-----------------------------	--------------------	--------------------

INVESTMENT



1958

1968

	\$395.00	\$622.00
per telephone		

CONSTRUCTION

Major portion of the 1968 construction program of \$19,166,000 was the provision of growing and expanded services to existing and new customers at a cost of \$10,925,000. Service improvement projects to maintain the modernization program required the expenditure of another \$4,408,000. The remaining \$3,833,000 was spent to replace plant, equipment and facilities in the provision of existing services.

Growth — Central office equipment projects included completion of the Centrex installation in Halifax to provide 3,000 lines for certain major customers in the Halifax area and the Company itself. An extension of the Centrex project was commenced to provide an additional 3,200 lines during 1969 for several other large users.

A new "453" office was equipped to accommodate nearly 3,000 lines of growth from Halifax Lorne office; and Halifax Harbour office saw completion of 4,000 additional lines. At Western Shore a new crossbar office was completed to provide for growth in the Mahone Bay exchange.

Growth in the number of customers and volume of calling in the exchanges of Amherst, Bedford, Halifax's Lorne office, Kingston, Lawrencetown, New Waterford, Wolfville and Port Bickerton required the installation of approximately 2,600 additional lines and 1,000 terminals.

Long distance transmission equipment was added in the exchanges of Amherst, Digby, Bridgewater, Kentville, New Glasgow, Shelburne, Truro and Yarmouth.

Additional carrier equipment to provide more long distance circuits was installed in the Sydney, Yarmouth, Amherst and Bridgewater areas, and additions to carrier operating on



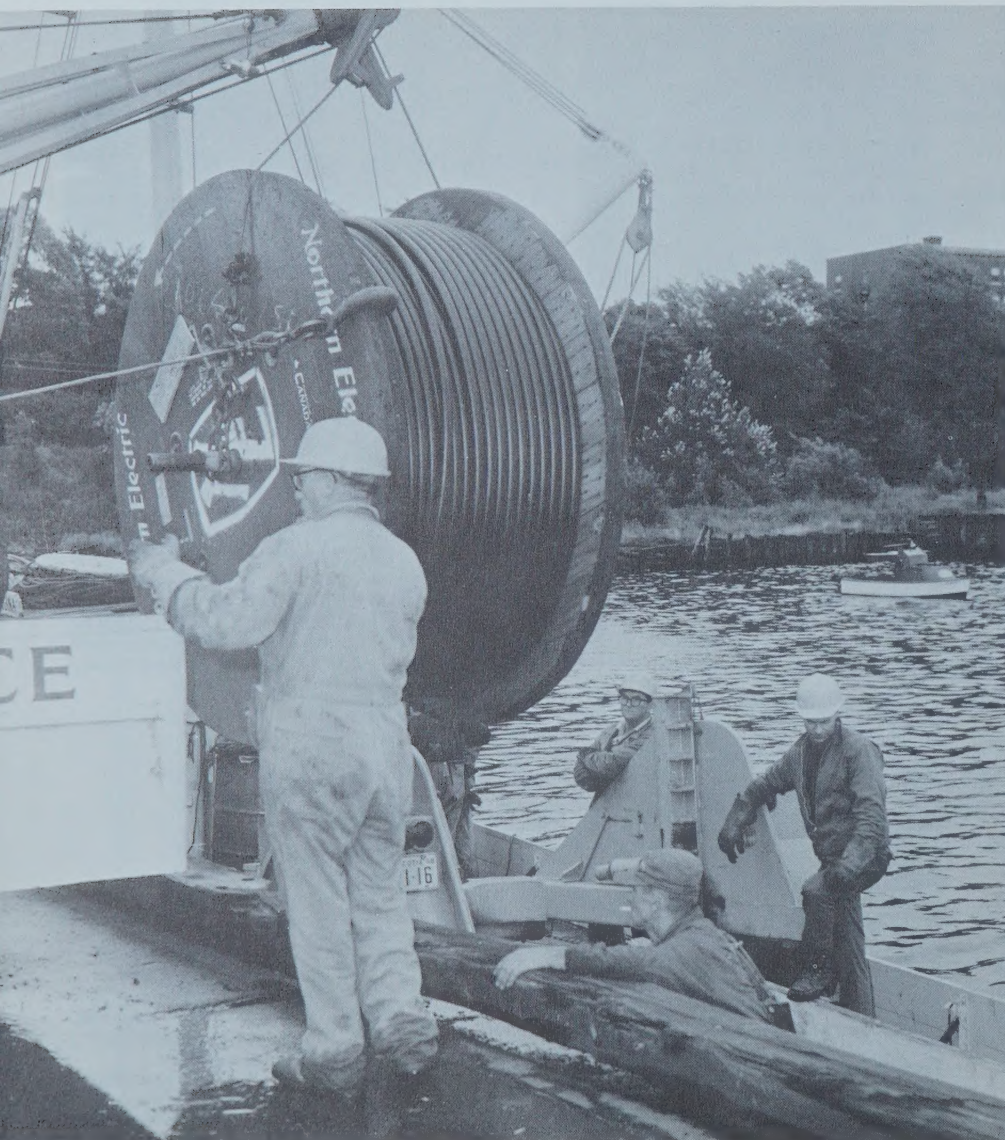
His Honor Lieutenant Governor Victor deB. Oland is presented with a new Contempra "dial in hand" telephone by Company president A. G. Archibald. Presentation marked the 250,000th MT&T telephone in Nova Scotia. Newly-designed set, in both dial and Touch-Tone versions, will be introduced during 1969.



High rise construction in Halifax means highly skilled cable crews must "take to the air". Here lineman Basil Kenney controls his safety bucket to bring him to site of cable-lashing.



Forecasting growth and development of both business and residential markets is a complex task, requiring constant study and survey work. Development specialists R. W. Bishop (left) and C. B. Holland consult maps and statistical tables.



Hundreds of pairs of telephone wires insulated in cable are loaded onto barge at Sydney, prior to cable-laying operation beneath harbor.

microwave facilities to handle increased long distance traffic were made in 11 areas. At all long distance centres, transmission test equipment was provided.

Additional cable was installed in many exchanges to provide for growth in the number of customers, and additions to underground conduit were made in three locations in the Halifax exchange. Increased long distance traffic also required additions to toll cables between Collingwood-River Philip, Amherst-Sackville, N.B., Argyle-Tusket, Lawrence-town-Middleton, Halifax-Prospect, and Halifax-Bay Road. By year end a total of 350 miles of aerial cable had been erected and 453 miles of wire and cable either buried or placed in underground conduits.

Acquisition of land was completed adjacent to Halifax's North Street toll centre to provide for construction of the expanded toll building. Extensions were completed to buildings at Truro, Berwick and Kingston.

Replacement — At switching centres in New Glasgow, Sydney and Halifax's Bishop office power equipment was replaced by equipment of greater capacity. Central offices at Tangier, Wallace and Caledonia were relocated, and in Aylesford, Windsor and Cornwallis exchange areas outside plant facilities were replaced. At Halifax's Harbour office, 4,800 lines of older step-by-step dial equipment were replaced by No. 5 crossbar equipment. At New Ross new crossbar switching equipment replaced outgrown step-by-step equipment. At Berwick, seven-digit dialing equipment was installed.

Provincial highway construction projects required the movement and relocation of cable and pole lines at a cost of \$453,000.

Modernization — In April, Direct Distance Dialing was provided for Baddeck, and in July

for Pictou, New Glasgow, Antigonish, Westville, Port Hawkesbury and Mulgrave. The bulk of expenditure was on both toll and local switching machinery in New Glasgow, including installation of 40 new positions of a more modern switchboard. The toll centre operation at Port Hawkesbury and the offices served by it was "homed" on the New Glasgow long distance centre.

Early in the year the communities of LaHave and Bridgewater, and Bear River and Annapolis Royal, were linked in new Extended Area Services. In April and May, EAS was provided St. Ann's Bay and Baddeck, and Meteghan and Saulnierville. In conjunction with DDD, EAS was provided for Mulgrave-Port Hawkesbury and Pictou-New Glasgow in July. In late October the Valley communities of Aylesford-Kingston and Lawrence-town-Middleton received EAS, and in mid December, in conjunction with dial service for Oxford, the three communities of Collingwood, Oxford and Springhill received EAS.

Widening of Base Rate Areas in Kentville, Bear River, Mahone Bay, Meteghan and Saulnierville enabled 2,050 customers to secure one and two-party line service without mileage charges.

During 1968, nine communities were converted to dial service, in some cases in conjunction with provision of Direct Distance Dialing or Extended Area Service. This was the largest dial conversion program ever completed by the Company in one year. Dial service was provided at Argyle, Baddeck, Meteghan, Mulgrave, Oxford, Port Hawkesbury, Saulnierville, Tatamagouche, and Tusket.

Additional lines to reduce the number of parties per rural line were provided in the exchanges of Annapolis Royal, Bass River, Bridgewater, Brooklyn, Digby, Dingwall, Middleton and Weymouth.



Civic beautification plans for Annapolis Valley community of Wolfville were a joint project with MT&T. Here stressed-concrete curved light standard, carrying power and telephone wires, is installed prior to removal of wooden pole.

At a cost of approximately \$500,000, service responsibilities of 10 rural connecting companies with 474 customers were assumed. Eighty-eight connecting companies with 3,213 customers are still in operation in Nova Scotia and 119 have been taken over since 1960. The 10 companies, covering 141 miles of territory and acquired with the approval of the Board of Commissioners of Public Utilities for Nova Scotia, were:

Melford

River Dennis Mutual Telephone Co., Ltd.

Musquodoboit Harbour

East Petpeswick Mutual Telephone Co., Ltd.
Ostrea Lake Mutual Telephone Co., Ltd.
Petpeswick Mutual Telephone Co., Ltd.

Oxford

Mansfield Mutual Telephone Co., Ltd.
New Victoria Mutual Telephone Co., Ltd.
Riverview Mutual Telephone Co., Ltd.
Roslin Mutual Telephone Co., Ltd.

Pictou

Heathbell, Elmfield & Plainfield Mutual Telephone Co., Ltd.
Millsville & Rogers Hill Mutual Telephone Co., Ltd.

(Continued on page 13)



More rapid processing of customer accounts is accomplished by linking head office electronic data processing centre with field business offices. Account information is transferred to computer tape which in turn is sent by TWX to Halifax computer.



Company personnel engage in successful "Transcan 1" national defence exercise in New Glasgow, held in late fall in conjunction with telephone companies across Canada. Engineer John Strong and plant supervisor Gordon Ried plot effects of simulated nuclear strike fall-out.

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED FINANCIAL REPORT — 1968

Incorporated Under The Laws of The Province of Nova Scotia

FINANCIAL RECORD

Total operating revenues were \$35,208,000, up 8.9% from 1967. Total operating expenses (including other operating taxes) were \$22,484,000, up 8.5% during the same period. Depreciation accruals of \$6,961,000 were 31% of the total operating expenses; the next largest item, maintenance expenses of \$5,663,000, represented 25% of the total.

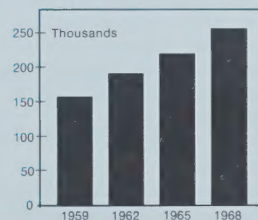
Earnings before interest and income taxes amounted to \$13,138,000, up from \$11,986,000 in 1967. **Return on total capital invested was 7.1% compared to 7.4% in 1967.** After provision for interest and amortization of \$2,538,000, income taxes of \$5,172,000 and preferred dividends of \$105,000, \$5,323,000 remained for the common shares, or \$1.44 on the 3,698,000 average common shares outstanding during 1968, compared to \$1.54 on the 3,232,000 shares in 1967.

In 1968, common share dividends amounted to \$4,068,000, at the rate of \$1.10 per share. Net earnings for the year were \$5,428,000, exceeded by Company taxes to all levels of government during 1968, of \$6,276,000. Taxes were equivalent to \$1.70 per share or \$25.00 for each telephone. In addition, taxes collected for the provincial government by the Company on long distance calls within Nova Scotia amounted during 1968 to \$695,000.

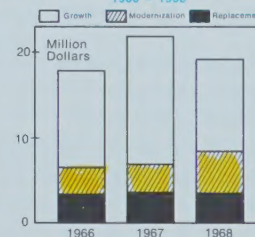
IN BRIEF

	1968	1967	% INCREASE
Construction Program Expenditures	\$ 19,165,684	\$ 21,850,963	(12.3)
Telecommunications Plant and Equipment	159,475,188	146,280,962	9.0
Per Telephone	622	601	3.5
Accumulated Depreciation	38,489,657	36,269,425	6.1
Financing — Common Stock	613,522	7,789,544	(92.1)
— Bonds	—	10,000,000	—
Internal Sources Funds	14,574,838	12,827,549	13.6
First Mortgage Bonds	46,000,000	46,000,000	—
Preferred Stock	1,500,000	1,500,000	—
Common Stock, Premium & Retained			
Earnings	62,961,479	61,289,618	2.7
Shareholders' Equity per Common Share	16.93	16.67	1.6
Operating Revenues	35,207,617	32,333,052	8.9
Operating Expenses & Other Taxes	22,484,362	20,719,832	8.5
Income Taxes	5,172,177	4,650,379	11.2
Income Available for Common Dividends	5,322,692	4,969,055	7.1
Dividends on Common Shares	4,067,626	3,556,852	14.4
Income per Average Common Share	1.44	1.54	(6.5)
Return on Total Capital	7.1%	7.4%	—
Return on Rate Base	6.3%	6.5%	—
Telephones in Service	256,388	243,502	5.3
Percent Dial Operated	90.1%	87.9%	—
Number of Calls	508,568,900	477,514,900	6.5
Number of Long Distance Messages	13,112,092	12,158,494	7.8

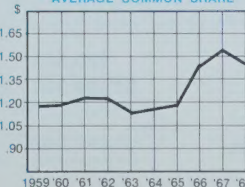
TELEPHONES IN SERVICE



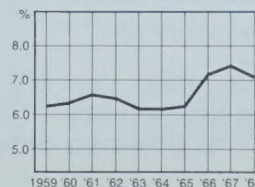
CONSTRUCTION EXPENDITURES
1966 - 1968



EARNINGS PER
AVERAGE COMMON SHARE



RETURN ON TOTAL CAPITAL



BALANCE SHEET As at December 31, 1968

(With Comparative Figures as at December 31, 1967)

ASSETS

	1968	1967
	\$	\$
TELEPHONE PLANT		
Depreciable Telephone Plant in Service (Note 1)	156,051,851	140,623,258
Less Accumulated Depreciation	38,489,657	36,269,425
	117,562,194	104,353,833
Other Telephone Plant (Note 2)	3,423,337	5,657,704
	<u>120,985,531</u>	<u>110,011,537</u>
INVESTMENTS		
Investment in Subsidiary (Note 3)	1,873,210	1,873,210
Other Investments	104,015	113,056
	<u>1,977,225</u>	<u>1,986,266</u>
CURRENT ASSETS		
Cash	641,225	1,271,450
Temporary Cash Investments	—	3,100,000
Due from Subsidiary	88,122	680,863
Accounts Receivable (Note 4)	5,505,799	4,628,137
Special Refundable Tax (Note 5)	348,335	—
Materials and Supplies, At Cost	1,410,981	2,099,924
Prepayments (Note 6)	243,379	233,457
	<u>8,237,841</u>	<u>12,013,831</u>
DEFERRED CHARGES		
Unamortized Discount on Long Term Debt	323,551	346,709
Special Refundable Tax (Note 5)	—	503,042
Other Deferred Charges	195,154	184,423
	<u>518,705</u>	<u>1,034,174</u>
	<u>131,719,302</u>	<u>125,045,808</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	1967
	\$	\$
SHAREHOLDERS' EQUITY		
Common Stock (Note 7)	37,195,360	36,759,620
Premium on Common Stock (Note 8)	13,816,861	13,639,079
Retained Earnings - Unappropriated	11,949,258	10,387,877
Retained Earnings - Appropriated (Note 5)	—	503,042
	<u>62,961,479</u>	<u>61,289,618</u>
Preferred Stock (Note 7)	1,500,000	1,500,000
Total Shareholders' Equity	<u>64,461,479</u>	<u>62,789,618</u>
LONG TERM DEBT (NOTE 9)	<u>46,000,000</u>	<u>46,000,000</u>
CURRENT LIABILITIES		
Bank Loan	5,000,000	—
Accounts Payable (Note 10)	1,948,321	2,745,503
Income Taxes Accrued	829,444	1,407,219
Interest Accrued	566,510	566,510
Dividends Payable	1,049,146	935,995
Other Current Liabilities	190,932	211,768
	<u>9,584,353</u>	<u>5,866,995</u>
DEFERRED CREDITS		
Deferred Income Taxes (Note 11)	11,319,382	10,045,842
Employees' Stock Savings Plan (Note 12)	324,662	307,500
Other Deferred Credits	29,426	35,853
	<u>11,673,470</u>	<u>10,389,195</u>
Total Liabilities	<u>67,257,823</u>	<u>62,256,190</u>
	<u>131,719,302</u>	<u>125,045,808</u>

The accompanying notes are an integral part of the financial statements.

On behalf of The Board:

A. M. MacKay
DirectorA. G. Archibald
DirectorS.E. Jefferson
Comptroller

(8) Premium on Common Stock —

Balance at December 31, 1967	\$13,639,079
Premium on shares issued during 1968	177,782
Balance at December 31, 1968	<u>\$13,816,861</u>

(9) Long Term Debt — First Mortgage Bonds —

Series G Maturing March 15, 1971	3½ %	\$ 5,000,000
Series D Maturing April 1, 1971	4%	1,000,000
Series F Maturing July 2, 1972	3%	3,000,000
Series H Maturing July 2, 1972	4½ %	2,500,000
Series I Maturing May 1, 1975	3¾ %	3,000,000
Series E Maturing July 1, 1976	3%	2,000,000
Series J Maturing September 15, 1978	5¼ %	3,500,000
Series K Maturing November 1, 1980	5½ %	4,000,000
Series L Maturing June 15, 1983	5½ %	5,000,000
Series M Maturing May 1, 1985	5½ %	7,000,000
Series N Maturing March 15, 1987	6½ %	10,000,000
		<u>\$ 46,000,000</u>

(10) Accounts Payable — amounts owing for supplies, equipment, salaries and other items.

(11) Deferred Income Taxes — Deferred Income Taxes is the amount by which taxes, otherwise payable in respect of the current and prior years, have been reduced by claiming for tax purposes items of expense which have not been charged against revenues for income determination; taxes deferred as a result of these timing differences are applicable to those future periods in which the expenses deducted for income tax purposes may be less than the expense recorded in the accounts.

Prior to 1968, the Company provided \$10,045,842 for taxes deferred as a result of the principal timing difference, namely Depreciation. Minor timing differences over the years resulted in deferment of taxes amounting in total to \$911,600 up to December 31, 1968, for which provision has not been made.

For the current year, with the exception of relatively insignificant items, Deferred Tax Accounting has been followed with respect to all timing differences.

(12) Employees' Stock Savings Plan — contributions by employees subscribing for shares of capital stock at December 31, 1968, including interest; shares are issued on the completion of 12 months of contribution at a price equivalent to 75% of the average market price of the stock.

(13) Miscellaneous Operating Revenues — from directory advertising and rents.

(14) Maintenance — cost of inspection, repairs and rearrangements required to keep the telephone plant in good operating condition.

(15) Depreciation — charged under the straight line method using component depreciation rates as approved from time to time by the Board of Commissioners of Public Utilities for the Province of Nova Scotia.

(16) Traffic — costs, mainly operators' wages, incurred in handling telephone calls.

(17) Commercial — sales expense, advertising, cost of directories and costs incurred in business relations with customers.

(18) Administrative and Other — general office salaries and expenses, benefit payments, provision for service pensions, operating rents and other general expenses.

(19) Other Income — Includes dividends from subsidiary company \$144,000, interest income \$313,312 and miscellaneous income charges.

(20) Amortization of Intangible Assets — amortization of bond discount and premium amounted to \$19,911 for 1968 and \$18,867 for 1967.

(21) Vacation Pay Liability — Prior to 1968 accrued vacation expense was not recorded in the accounts. The accumulated liability at December 31, 1967 amounted to \$192,150, after allowing for the resulting reduction in income tax, and has been reflected as a charge to Retained Earnings. The vacation pay expense of \$34,596 for 1968 has been accrued in the accounts of the Company.

(22) Obligation for Pension Benefits for Past Services — The value of the Unfunded Pension Benefit Obligation in respect of past services was \$1,672,000 as at December 31, 1968.

This unfunded obligation is being satisfied by annual payments of \$114,252 with the final payment to be made in June, 1992.

INCOME STATEMENT

For the Year Ended December 31, 1968

(With Comparative Figures for the Year ended December 31, 1967)

	1968 \$	1967 \$
OPERATING REVENUES		
Local Service	18,239,743	16,818,382
Long Distance Service	16,121,997	14,731,535
Miscellaneous (Note 13)	987,857	912,552
Less Uncollectible Operating Revenues	(141,980)	(129,417)
	<u>35,207,617</u>	<u>32,333,052</u>
OPERATING EXPENSES		
Maintenance (Note 14)	5,662,536	5,264,594
Depreciation (Note 15)	6,961,321	6,293,725
Traffic (Note 16)	3,289,159	3,193,289
Commercial (Note 17)	1,688,795	1,687,136
Administrative and Other (Note 18)	3,778,909	3,308,383
Taxes (Other than income taxes)	1,103,642	972,705
	<u>22,484,362</u>	<u>20,719,832</u>
Operating Income before Income Taxes	12,723,255	11,613,220
OTHER INCOME (NOTE 19)	414,920	372,704
	<u>13,138,175</u>	<u>11,985,924</u>
FIXED CHARGES		
Bond Interest	2,303,750	2,168,333
Other Interest	197,092	57,034
Amortization of Intangible Assets (Note 20)	37,464	36,423
	<u>2,538,306</u>	<u>2,261,790</u>
Income Before Income Taxes	10,599,869	9,724,134
INCOME TAXES (NOTE 11)	5,172,177	4,650,079
Net Income For Year	<u>5,427,692</u>	<u>5,074,055</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF RETAINED EARNINGS - UNAPPROPRIATED

For the Year Ended December 31, 1968

(With Comparative Figures for the Year ended December 31, 1967)

	1968 \$	1967 \$
Retained earnings, Beginning of Year, as Previously Reported	10,387,877	9,205,228
Adjustment to Prior Years with Respect to Vacation Pay Liability (Note 21)	(192,150)	—
	<u>10,195,727</u>	<u>9,205,228</u>
Net Income for Year	5,427,692	5,074,055
Special Refundable Tax (Note 5)	503,042	(197,689)
Dividends - Preferred	(105,000)	(105,000)
- Common	(4,067,626)	(3,556,852)
Miscellaneous	(4,577)	(31,865)
Retained Earnings, End of Year	<u>11,949,258</u>	<u>10,387,877</u>

AUDITORS' REPORT

To the Shareholders of

Maritime Telegraph and Telephone Company, Limited:

We have examined the balance sheet of Maritime Telegraph and Telephone Company, Limited, as at December 31, 1968, and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting for vacation pay liability as set out in Note 21 to the financial statements which change we approve.

Halifax, Canada

February 7, 1969

Clarkson, Gordon & Co.

Chartered Accountants

SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1968

(With Comparative Figures for the Year ended December 31, 1967)

SOURCE OF FUNDS

	1968	1967
	\$	\$
Internal Sources		
Operations:		
Net Income for Year	5,427,692	5,074,055
Add		
Depreciation	6,961,321	6,293,725
Deferred Income Taxes	1,273,540	1,206,536
Less		
Credits to Income not producing funds	(509,915)	(340,069)
	<u>13,152,638</u>	<u>12,234,247</u>
Salvage and Other Items	919,158	593,302
Special Refundable Tax	503,042	—
Total Internal Sources	<u>14,574,838</u>	<u>12,827,549</u>
External Sources		
Bond Issue	—	10,000,000
Proceeds from Stock Issues	613,522	7,789,544
Increase (Decrease) in Deferred Credits - Employees' Stock Savings Plan	17,162	(451,624)
Total External Sources	<u>630,684</u>	<u>17,337,920</u>
Total Sources of Funds	<u>15,205,522</u>	<u>30,165,469</u>

APPLICATION OF FUNDS

Gross Additions to Plant	18,750,912	21,473,130
Cost of Removing Old Plant	414,772	377,833
Construction Program Expenditures	19,165,684	21,850,963
Less Charges to Construction not Requiring an Outlay of Funds	(862,953)	(712,183)
	<u>18,302,731</u>	<u>21,138,780</u>
Dividends	4,172,626	3,661,852
Special Refundable Tax	—	197,689
Miscellaneous	223,513	190,180
Total Funds Applied	<u>22,698,870</u>	<u>25,188,501</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(7,493,348)</u>	<u>4,976,968</u>

NOTES TO FINANCIAL STATEMENTS

(1) **Depreciable Telephone Plant in Service** — buildings, switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture and other equipment, at cost.

(2) **Other Telephone Plant** — land, plant under construction, property held for future use and other non-depreciable items of plant, at cost, including intangible assets of \$52,658.

(3) **Investment in Subsidiary** — 144,000 shares (54.6%) of common stock in The Island Telephone Company, Limited, at cost. Statements have not been consolidated because the Company is under the jurisdiction of the Board of Commissioners of Public Utilities for the Province of Nova Scotia, whereas The Island Telephone Company, Limited is under the jurisdiction of the Public Utilities Commission of the Province of Prince Edward Island.

The Company's interest in the increase in the Retained Earnings of The Island Telephone Company, Limited since acquisition not reflected in its accounts amounted to \$676,919 as at December 31, 1968, including an increase during the year of \$24,361.

(4) **Accounts Receivable** — principally amounts due from customers, after provision for uncollectible accounts of \$50,000.

(5) **Special Refundable Tax** — balance of Special Refundable Tax, including accrued interest, which is scheduled to be returned to the Company, for the most part, during 1969. Prior to specific knowledge of refunding dates, the Special Refundable Tax, including accrued interest, was classified as a Deferred Charge. The applicable Retained Earnings which were appropriated during 1966 and 1967 have been returned to Retained Earnings - Unappropriated.

(6) **Prepayments** — insurance, cost of directories and other items applicable to subsequent period.

(7) **Capital Stock** — par value: \$10.00 per share

Authorized:	5,000,000 shares
Issued: Common — as at Dec. 31, 1967	3,675,962 shares
— issued during year (for \$613,522 cash)	43,574 shares
— as at Dec. 31, 1968	3,719,536 shares
Preferred — 7% cumulative	150,000 shares

BALANCE SHEET

* Construction Program Expenditures	\$ 19,165,684	\$ 21,850,963	\$ 17,956,409	\$ 11,959,274	\$ 12,005,985	\$ 11,465,017	\$ 9,931,894	\$ 7,624,540	\$ 8,197,628	\$ 7,790,075
2 Telecommunications Plant & Equipment	159,475,188	146,280,962	128,492,251	114,132,445	105,137,159	95,819,593	85,512,236	77,651,494	71,865,287	66,016,557
3 Per Telephone	622	601	565	522	509	485	456	439	430	415
4 Accumulated Depreciation	38,489,657	36,269,425	33,099,671	30,244,614	27,362,648	24,893,193	21,786,479	19,711,067	17,563,440	16,371,343
5 Preferred Stock	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
6 Common Stock, Premium & Retained Earnings	62,961,479	61,289,618	52,119,736	44,128,813	42,083,503	37,358,243	36,537,912	30,301,564	29,232,532	28,376,749
7 First Mortgage Bonds	46,000,000	46,000,000	36,000,000	36,000,000	29,000,000	29,000,000	24,000,000	24,000,000	20,000,000	20,000,000
8 Deferred Income Taxes	11,319,382	10,045,842	8,839,306	7,938,359	7,147,796	6,400,750	5,507,272	4,632,955	3,990,168	3,304,557
9 Equity Per Common Share	16.93	16.67	16.37	15.74	15.52	15.23	15.08	14.74	14.50	14.32

INCOME STATEMENT

10 Total Operating Revenues	\$ 35,207,617	\$ 32,333,052	\$ 28,570,965	\$ 24,287,499	\$ 22,127,675	\$ 19,981,166	\$ 18,776,459	\$ 17,509,115	\$ 16,208,679	\$ 14,832,483
11 Local Service Revenues	18,239,743	16,818,382	15,061,133	12,917,491	12,042,889	11,301,218	10,825,384	10,130,257	9,440,029	8,828,937
12 Toll Service Revenues	16,121,997	14,731,535	12,778,067	10,672,741	9,384,702	8,017,661	7,399,492	6,903,340	6,533,453	5,778,829
13 Total Operating Expenses & Other Taxes	22,484,362	20,719,832	18,638,636	16,480,204	14,910,164	13,524,083	12,259,868	11,376,887	10,786,120	10,038,636
14 Employee Expense (Salaries, Wages & Benefits)	9,508,045	8,849,791	7,835,092	7,142,252	6,476,873	5,990,744	5,509,784	5,141,657	4,977,942	4,714,973
15 Depreciation Expense	6,961,321	6,293,725	5,597,922	5,008,411	4,556,318	4,080,319	3,508,967	3,208,176	2,952,854	2,676,130
16 Other Operating Expenses	4,911,354	4,603,611	4,315,146	3,593,627	3,222,671	2,853,424	2,678,743	2,495,189	2,342,745	2,179,209
17 Other Operating Taxes	1,103,642	972,705	890,476	735,914	654,502	599,596	562,374	531,865	512,579	468,324
18 Bond Interest	2,303,750	2,168,333	1,653,752	1,515,925	1,268,750	1,135,174	993,750	993,750	810,417	773,750
19 Other Interest and Fixed Charges	234,556	93,457	105,629	77,100	59,666	51,432	27,992	31,869	30,148	37,484
20 Income Taxes	5,172,177	4,650,079	4,005,655	3,071,621	2,872,214	2,597,710	2,664,188	2,528,871	2,259,183	1,971,000
21 Preferred Dividends	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
22 Income Available for Common Dividends	5,322,692	4,969,055	4,297,029	3,235,953	3,039,513	2,748,565	2,729,770	2,494,864	2,313,821	2,030,212
23 Dividends on Common Shares	4,067,626	3,556,852	2,946,650	2,602,051	2,416,177	2,197,344	2,010,673	1,828,178	1,795,009	1,458,083
24 Return on Total Capital	7.1%	7.4%	7.2%	6.3%	6.2%	6.2%	6.5%	6.6%	6.4%	6.3%
25 Return on Rate Base	6.3%	6.5%	6.3%	5.7%	5.6%	5.4%	6.1%	6.2%	5.8%	5.7%
26 Income Per Average Common Share	\$ 1.44	\$ 1.54	\$ 1.44	\$ 1.18	\$ 1.15	\$ 1.13	\$ 1.22	\$ 1.23	\$ 1.16	\$ 1.15

OTHER STATISTICS

27 Telephones in Service	256,388	243,502	227,270	218,533	206,752	195,986*	187,536	176,853	167,274	159,115
28 Percent Dial	90.1%	87.9%	87.9%	87.1%	87.3%	86.9%	86.8%	86.1%	84.6%	82.5%
29 Number of Calls	508,568,900	477,514,900	451,160,600	419,746,000	396,467,000	375,221,000	361,055,000	348,318,595	333,112,040	314,494,315
30 Number of Toll Messages	13,112,092	12,158,494	11,187,823	10,768,453	9,820,857	9,016,553	8,589,756	8,033,316	7,537,681	6,967,274
31 Miles of Wire	1,154,497	1,072,902	982,157	860,801	790,641	714,316	657,249	615,794	577,595	476,983
32 Percent in Cable	93.2%	91.1%	90.9%	89.9%	89.7%	88.9%	88.4%	88.2%	88.3%	86.5%
33 Salaries & Wages Earned	\$ 12,851,222	\$ 11,851,832	\$ 10,429,987	\$ 9,062,940	\$ 8,348,804	\$ 7,466,225	\$ 6,816,913	\$ 6,226,644	\$ 5,980,023	\$ 5,627,369
34 Number of Employees	2,474	2,632	2,531	2,340	2,168	2,086	1,915	1,850	1,828	1,837
35 Number of Shareholders	12,297	13,122	12,643	12,597	12,762	12,170	12,359	11,754	11,857	11,842
36 Average Common Shares Outstanding	3,697,712	3,232,433	2,975,858	2,738,792	2,635,993	2,442,611	2,236,302	2,032,844	1,995,800	1,762,534

*adjusted figure

MARKETING

The Company's marketing program moved forward on several fronts, supported by sales seminars, displays, intensive sales training, every-employee selling plans, and advertising, publicity and community relations activities.

Business Services — Introduction of a standard flexible, high-capacity intercommunications system known as Dirivox was successfully carried out. The system functions on crossbar switching equipment and provides features including paging, call-privacy, group calling and secretary transfer.

There were 6,904 business customers sales contacts resulting in 3,900 sales to produce additional annual revenue of approximately \$700,000.

Inter-Exchange Services — Early in the year, the first Data Communications seminar was conducted at Halifax and advanced business and professional communications systems such as transmission of data by teletypewriter (Datacom), Digital Input Voice Answerback (DIVA) and teletypewriter exchange (TWX) were demonstrated to approximately 100 government, education and medical representatives.

In September, the Company participated with the other three Atlantic Area telephone companies in the first Atlantic Education Showplace. This was held in conjunction with the provincial government-sponsored International Conference on Communications Media in Halifax. A combined live and static display was viewed by an estimated 12,000 educationists, and a series of 13 one-hour communications lectures was presented to 1,200 Conference delegates.

In late September, the first commercial installation of the Visual Electronic Remote



Business marketing specialists display latest in educational telecommunications facilities to visitors at first Atlantic Education Showplace, held in Halifax. MT&T also participated in government-sponsored conference on communications media in education held concurrently with Showplace.

Blackboard system (VERB) was made at Acadia University. This was utilized in conjunction with supplementary Visual Electronic Tape System (VETS) to permit advance preparation and editing of illustrated lectures.

Special Contracts — Special communication equipment was installed at defense sites for connection with the Canadian Forces Switch-

ed Network. In August, senior telephone and defense officials inaugurated the first phase of the Network.

In June, radio and television networks were provided with a large number of additional circuits in conjunction with the federal election.

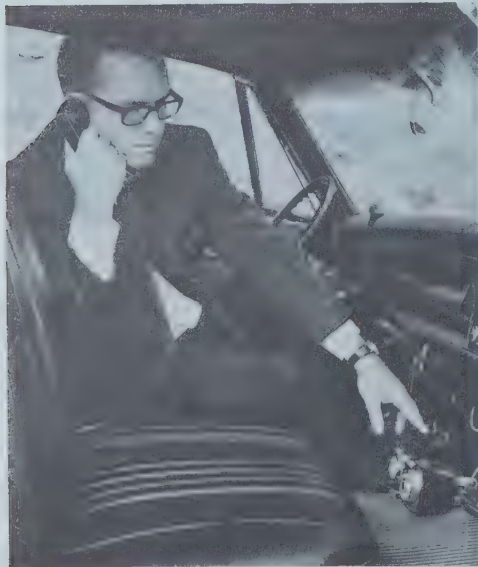
At year end, extensions to Canadian Broadcasting Corporation microwave facilities for



Displays of Touch Tone draw interested groups at shopping centres in Halifax, Sydney and New Glasgow. Visitors are able to try out instruments, and compare dial speeds with rotary dial sets using twin clock-timer display.

Special shopping plaza sales displays featuring Touch-Tone services were held in Halifax, Sydney and New Glasgow. Popular response resulted in immediate success requiring additional shipments of instruments to meet the demand in these three areas.

Community Relations — In the Halifax-Dartmouth schools, more than 700 grade four pupils participated in the Company's Tele-sonia program to train and encourage students in the efficient and courteous use of the telephone. In communities where dial service was introduced approximately 8,000 elementary and high school students participated in Company-sponsored instruction.



Telephones for vehicles in the Halifax-Dartmouth area are welcomed by businessmen who are able to have access to the general telephone network while out of their office. Halifax financial broker Bruce Logie is shown using his "mobile telephone" in his automobile.

Nova Scotia's south shore television network were begun, and work commenced on low-powered radio transmitters for the CBC for service in six communities.

Yellow Pages — Sales of advertising space in the yellow pages of the Company's telephone directories increased during 1968 by ten per cent for the second year in a row. Task forces of sales personnel visited each directory area regularly in continuing promotion of this business service.

Residence Sales — Installers and repairmen actively participated in extra sales efforts to bring more efficient and convenient services to customers. Results of this program, begun in 1964, have been excellent, with sales rising from \$42,000 five years ago to \$179,000 in 1968.

In Company business offices across Nova Scotia, employee sales, in addition to normal duties, accounted for 5,032 sales of telephone sets in various colors, extension sets, and bells and chimes. Extension sets sales totalled 1,206.

In many communities, special awards were instituted for voluntary organizations who participated in community parades. The awards were for displays of suitable Nova Scotia historical themes.

Working with business and professional groups, as well as clubs and voluntary organizations, the Company assisted in close to 300 showings of a variety of films, a third of which dealt with development and improvement of the courteous use of the telephone. Several thousand booklets and pamphlets about the industry were distributed, including pocket-sized personal telephone directories with area code and long-distance calling information.

Senior company management employees spoke to trade, political and voluntary organizations during 1968, and plans at year end were made for formation of an effective Speakers' Bureau to continue to keep many sectors of the public informed about Company activities.

EMPLOYEES

The skills of approximately 2,500 employees, and the constant improvement of tools, methods and technologies, are a primary concern of the Company. Training and re-training of telephone people is provided to enable them to perform their challenging jobs and at the same time receive both adequate compensation and an opportunity to provide for their future years.

Training — More than 700 craft employees attended 188 training courses in Company classrooms where, with modern methods of programmed learning, an estimated 37,400 manhours of instruction were received. In addition, specialized courses were given technical employees in new types of radio systems, alarm senders and receivers, multiplex equipment and newly-developed maintenance plans.

Special training was given service advisors to enable them to train armed forces personnel in the operation of the Canadian Forces Switched Network. Business sales personnel attended six sales training courses. Courses in basic mathematics were given by Company instructors during evening hours for employees who desired these courses and who attended on their own time. For telephone operators at Halifax's long distance centre, comprehensive new programmed training courses were introduced.

Throughout the year, management training courses at all levels were held, and special service analysis and force management courses were given to traffic department management personnel. Regular induction courses were held for new management employees.

Development — The Company made available correspondence courses for employee out-of-hour study, and financial assistance for employees attending evening courses at technical or university level was raised. Approximately 40 employees took advantage of this enlarged program. A three-year advanced engineering course in communications, industrial engineering and electronics, to provide refresher training for professional engineers, was commenced in co-operation with the Nova Scotia Technical College. Late in the year the Company assisted in formation of two chartered Toastmasters' Clubs in which male employees of all levels are able to gain experience by participation in group discussion and public speaking.

Pay Rolls — At the end of the year, there were 2,474 employees, a decrease of 158 from 1967. Salaries and wages amounted to \$12,851,222, compared to \$11,851,832 in 1967.

Pensions and Benefits — During 1968, a total of \$417,018 was distributed to 249 service pensioners from the Company pension fund. The fund is held by Canada Permanent Trust Company and at the end of the year totalled \$14,814,288. Additions to the fund by the Company totalled \$710,600 in 1968.

Additional benefit payments by the Company totalled \$239,689 in 1968, which together with payments to the pension fund cost 7.4% of the total Company pay roll. Among these were payments for sickness and accident disabilities, death benefits, group insurance and Blue Cross Supplementary Hospital Insurance.

As well, non-voluntary benefit payments included \$162,272 paid by the Company into the Canada Pension Plan, \$300,174 in Old Age Security Tax, and \$96,700 in Unemploy-



Programmed learning helps train new traffic recruit Jane Danielson, (right), as supervisor Jean Bowden introduces her to complexities of local and long distance board operation at Halifax's North Street switching centre.



Smiling switchboard operators are pictured at the height of the postal workers strike during the summer. Increases in traffic calling in various centres throughout Nova Scotia approximated Christmas day peak loads in most areas, requiring re-scheduling of and additions to operator staff.

ment Insurance. All benefit costs, voluntary and other, totalled \$1,505,940 or 11.7% of the total pay roll.

Stock Savings Plan — Employees with more than six months service can, through pay roll deductions, assign up to 10% of their salaries for the purchase of common shares of the Company. Purchase is by pay roll deduction, and the cost of the shares is calculated at 75% of the average market price. At the end of the year, 1,318 employees or approximately two-thirds of those eligible were participating in this plan. Employees also purchased more than \$194,000 in Canada Savings Bonds in late 1968, bringing to more than \$2.1 million the total employee purchases since introduction of CSB's in 1956.

Labor Relations — Agreement reached in late 1967 with the Plant Craftsmen, members of the International Brotherhood of Electrical Workers, remains in effect until mid-1969.

Telephone operators who are members of the same IBEW Local signed an agreement early in the year which will expire in September, 1969. The Telephone Employees' Association, representing approximately 500 female clerks and associated employees, was certified as an official bargaining agent during the year, and contract negotiations were scheduled for early January, 1969.

Safety — Disabling injuries and motor vehicle accidents were reduced compared to 1967. Following introduction of a new system of driver safety improvement in late 1967, the number of motor vehicle accidents for each 100,000 miles was reduced from 1.4 in 1967 to 1.3 in 1968. During the year, 534 safe-driver awards were given to drivers, 32 more than a year ago, and one department received a "millionaire" award for having worked 1,000,000 man-hours without a single disabling injury.

Central office distribution frame in downtown Halifax, already one of the longest in the Atlantic area, continues to grow as thousands of new customer lines are added during the year.

DIRECTORS

George C. Piercey, of the Halifax law firm of Daley, Black, Moreira and Piercey, was elected to the Board of Directors on February 23, to succeed Francis D. Smith, Q.C., of Halifax, who resigned from the Board on December 31, 1967, due to illness.

Following the annual general shareholders' meeting on March 22, A. Murray MacKay resigned as Chairman of the Board, which post he had held for 10 years. Dr. MacKay joined the Company 56 years ago and rose to become President during the years 1952-1959. He remains as a Director of the Company.

A. Gordon Archibald, President of the Company, was elected Chairman of the Board on March 22, to succeed Mr. MacKay. He remains as President and chief executive officer.

ORGANIZATION CHANGES

G. Donald Robb, General Traffic Manager since 1965, was appointed General Plant Manager on June 15 to succeed G. Kendall Foster, who resigned to take employment with the Department of Transport, Ottawa.

D. Nelson Braid, Purchasing Agent and Superintendent of Buildings, Vehicles and Supplies, was appointed General Traffic Manager to succeed Mr. Robb.

In December, the appointment of Alexander H. MacKinnon, Chief Engineer, to the new position of Vice-President - Planning was announced, to take effect January 1, 1969.

Donald L. McEachern, on loan from Bell Canada, was appointed Chief Engineer to succeed Mr. MacKinnon.

Summing up

The continuing demand for services to provide for the growth and expansion of modern customer requirements set many new marks of achievement during 1968, though some projects were re-scheduled to comply with restrictions on capital expenditures.

Meeting this demand demonstrated effectively that no other basic service furnished the people of Nova Scotia and Canada is made available with the same ease and simplicity as telephone communications. Yet no other service is as complex in its provision and function. None requires as vast a technology, or calls upon as many different skills, or demands as close an integration of machines and people.

In this, telephone employees can take pride in their accomplishments and shareholders can be assured that 1969 will be another year of continued growth and development.

For the Board of Directors



President

February 28, 1969

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED 1968

DIRECTORS

GARNET L. ANGUS

President
Angus Fuel and
Transportation, Ltd.
Amherst

*A. GORDON ARCHIBALD

President
Maritime Telegraph &
Telephone Co., Ltd.
Halifax
elected Chairman of the
Board, March 22, 1968

*DONALD F. ARCHIBALD

President
Archibald Farms Limited
Port Williams

MELBOURNE R. CHAPPELL

Vice-President
Island Construction
Company, Limited
Sydney

SEYMOUR W. KENNEY

President
Kenney Construction
Company
Yarmouth

*ALEXANDER G. LESTER

Executive Vice-President
Bell Canada
Montreal

*A. MURRAY MacKAY

Maritime Telegraph &
Telephone Co., Ltd.
Halifax
resigned as Chairman of
the Board, March 22, 1968

*CLARENCE J. MORROW

Chairman
Ocean Fisheries Ltd.
Lunenburg

*DONALD W. MYERS

Vice-President and
General Manager
Maritime Telegraph &
Telephone Co., Ltd.
Halifax

GEORGE C. PIERCEY

Partner
Daley, Black, Moreira
and Piercey
Halifax
elected February 23, 1968

*PERCY J. SMITH

Vice-President
Pittfield, MacKay, Ross
& Company, Limited
Halifax

FRANK H. SOBEY

Chairman of the Board
Sobey Stores Limited
Stellarton

*CHARLES E. STANFIELD

Vice-President
Stanfield's Limited
Truro

GEORGE C. WALLACE

Vice-President-Finance
Bell Canada
Montreal

*Member of
Executive Committee

OFFICERS

A. Gordon Archibald
Donald W. Myers
W. Struan Robertson
A. James Unsworth
Stuart P. Conrod
Stephen E. Jefferson
Frederick M. Waller

Chairman of the Board & President
Vice-President and General Manager
Vice-President—Finance
Secretary and General Counsel
Treasurer
Comptroller
Executive Assistant

OPERATIONS

G. Donald Robb
Alexander H. MacKinnon
D. Nelson Braid
Murray W. Wallace
John R. Gale
Harry W. Dacey

General Plant Manager
Chief Engineer
General Traffic Manager
General Commercial Manager
General Information Manager
General Personnel Manager

Canada's second most densely populated province, Nova Scotia is dotted with towns and villages like this South Shore community of Mahone Bay. Acadia University's first long-distance Visual Electronic Remote Blackboard, utilizing MT&T facilities for simultaneous transmission of illustrated lectures from Wolfville campus classroom, will enable a mid-year teacher education program to commence in Mahone Bay in 1969.





MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED



**PART OF
Trans-Canada Telephone System**



MARITIME TEL & TEL

INTERIM INCOME STATEMENT

	Six Months Ended June 30 1968	1967	Twelve Month Ended June 30 1968	1967
	\$	\$	\$	\$
Operating Revenues	16,947,511	15,620,407	33,660,156	30,916,582
Operating Expenses	10,577,658	9,616,230	20,708,555	18,742,219
Net Operating Revenue	6,369,853	6,004,177	12,951,601	12,174,363
Taxes Other Than Income	539,457	483,178	1,028,984	925,378
	5,830,396	5,520,999	11,922,617	11,248,985
Other Income	240,126	209,125	403,705	335,766
	6,070,522	5,730,124	12,326,322	11,584,751
Interest Charges	1,194,416	1,076,534	2,379,672	1,954,548
Income Before Tax	4,876,106	4,653,590	9,946,650	9,630,203
Income Tax	2,356,841	2,231,349	4,775,571	4,609,701
Net Income	<u>2,519,265</u>	<u>2,422,241</u>	<u>5,171,079</u>	<u>5,020,502</u>
Income per Average Common Share	.67	.74	1.46	1.54
Average Number of Common Shares Outstanding	3,675,962	3,185,577	3,477,626	3,184,728

SOURCE AND APPLICATION OF FUNDS

	Six Months Ended June 30 1968	1967
	\$	\$
SOURCE OF FUNDS		
From Operations	6,269,851	5,891,567
Increase (Decrease) in Deferred Credits—Employees' Stock Plan	312,448	269,473
Proceeds of Bond Issue	—	10,000,000
Proceeds of Common Stock Issue	—	24,105
Salvage and Other (Net)	540,842	182,296
	<u>7,123,141</u>	<u>16,367,441</u>
APPLICATION OF FUNDS		
Construction of Telephone Plant	9,660,452	7,653,692
Dividends	2,074,364	1,804,634
Refundable Tax	—	184,759
	<u>11,934,816</u>	<u>9,643,085</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>(4,811,675)</u>	<u>6,724,356</u>

EDUCATIONAL TELECOMMUNICATIONS IN NOVA SCOTIA

Early in September, 60 young men and women will take their places in a university classroom in Nova Scotia — to commence a degree-credit course during which they'll never see their lecturer.

The 60 will be part of an unusual ETC (for Educational Telecommunications) pilot project, aimed at enlarging course enrollment utilizing existing staff, and retaining the advantage of relatively small classes.

Engineered by MT&T, the ETC plan will involve a Visual Electronic Remote Blackboard (or VERB) in a master-classroom. There, the lecturer will conduct his course, making notes on a small, 17-square inch telescript panel. His voice and the small "blackboard" are both amplified for the master-classroom, simultaneously transmitted by regular telephone circuits to the satellite class. Interruptions, feed-back, queries and the like will all go on, just as if all 120 students were crowded into the one room.

The same telephone company VERB system will also be used for evening adult extension courses by the same university, this time with the "remote" classroom in a community 30 miles away. Here, VERB will be augmented by VETS (Visual Electronic Tape System), to enable lecturers and demonstrators to pre-tape subject matter.

Is ETC a possible answer to costly expansion of hard-to-schedule Educational Television? Could be, say telecommunications specialists. One difficulty with ETV has been fitting different school systems' class routines into network timing. ETC, with its versatility skirts this problem.

Both VERB, VETS and other forms of digital and analog communications will be on view late in September in Halifax at the first Atlantic Education Showplace, being held in conjunction with the N. S. Government sponsored International Conference on Communications Media in Education.

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MARITIME TELEGRAPH
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LIMITED



MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED

AR52



**SHAREHOLDERS'
QUARTERLY
REVIEW**

SUMMER 1968

TO THE SHAREHOLDERS:

Operating revenues for the first six months of 1968 were 8.5% greater than in the corresponding period last year. This improvement reflects an increased volume of business. Operating expenses increased 10% during the same period.

Capital expenditures for new facilities and equipment amounted to \$10,202,030 during the first six months of 1968. For the full year the Company plans to expend an estimated \$18,432,000. Telephone and other telecommunications plant in service as of June 30th, 1968 was \$149,003,942.

Net earnings were up 4% over the first six months of 1967. The number of common shares outstanding since June 30th, 1967 increased by 15.3%. In the six and twelve month periods ending June 30th, 1968, earnings per average common share were \$.67 and \$1.46 respectively, compared to \$.74 and \$1.54 a year ago.

President &
Chairman of the Board

Halifax, N. S.
July 31, 1968